



Maquassi Hills Local Municipality  
Financial statements  
for the year ended 30 June 2014

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Municipality
<b>Members of Council</b>	
Councillors	O. S. Duffy G.V. Kgabi K.G. Mojela T.S. Selete N. L. Tshingilane K.S. Seakane M.D. Matete M.S. Sejeso K.S. Kgaodi K.A. Mogapi O.H. Botsietseng G. P. Motswagole S. J. Lesie N. W. Ntiane M. D. Serectsi M. E. Motaung D. K. Mohadi M.G. Letlakane G. J. Van Zyl G. J. Muller J. Pheiffer
<b>Accounting Officer</b>	I.R. Jonas
<b>Chief Finance Officer (CFO)</b>	C Wenum
<b>Registered office</b>	19 Kruger Street Wolmaransstad 2630
<b>Business address</b>	19 Kruger Street Wolmaransstad 2630
<b>Postal address</b>	Private Bag X3 Wolmaransstad 2630
<b>Bankers</b>	ABSA Wolmaransstad
<b>Auditors</b>	Auditor - General of South Africa

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Maquassi Hills Local Municipality**

Financial Statements for the year ended 30 June 2014

### **Approval of annual financial statements**

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I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 62, in terms of Section 126(1) of the Municipality Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I R Jonas  
Municipal Manager

DATE.....

# **Maquassi Hills Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Auditor General is responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page xxxx.

The financial statements set out on page 6 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

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**Accounting Officer**

# **Maquassi Hills Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2014.

### **1. Review of activities**

#### **Main business and operations**

The municipality operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

### **2. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would require disclosure in the financial statements.

### **4. Accounting Officer's interest in contracts**

The Accounting Officer has no interests in contracts of the Municipality.

### **5. Accounting policies**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

### **6. Corporate governance**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	6	710 520	660 463
Investments	7	714 861	690 410
Trade and other receivables from non-exchange transactions	9	14 978 355	8 997 551
VAT receivable	10	21 207 859	14 994 384
Trade and other receivables from exchange transactions	11	15 138 424	10 170 318
Cash and cash equivalents	12	16 891 150	9 639 248
		<b>69 641 169</b>	<b>45 152 374</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	653 894 206	660 601 069
Investment property	4	32 587 374	32 587 374
Intangible assets	5	-	44 131
		<b>686 481 580</b>	<b>693 232 574</b>
<b>Total Assets</b>		<b>756 122 749</b>	<b>738 384 948</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	13	6 352 015	3 108 651
Trade and other payables from exchange transactions	14	105 952 872	81 033 815
Consumer deposits	15	2 184 881	2 101 137
Employee benefit obligation	8	817 321	-
Unspent conditional grants and receipts	16	3 910 618	974 522
Provision for rehabilitation of landfill sites	17	62 303 251	58 708 354
Bank overdraft	12	2 857 740	20 237 901
		<b>184 378 698</b>	<b>166 164 380</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	45 954 235	47 306 381
Employee benefit obligation	8	24 897 434	23 484 421
		<b>70 851 669</b>	<b>70 790 802</b>
<b>Total Liabilities</b>		<b>255 230 367</b>	<b>236 955 182</b>
<b>Net Assets</b>		<b>500 892 382</b>	<b>501 429 766</b>
Accumulated surplus		500 892 382	501 429 766

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

	Note(s)	2014 R	2013 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Licence and permits		3 449 621	3 102 714
Service charges	20	124 286 968	118 416 261
Rental of facilities and equipment		383 483	223 535
Other income		1 448 781	2 242 823
Interest revenue		26 171 555	18 809 159
<b>Total revenue from exchange transactions</b>		<b>155 740 408</b>	<b>142 794 492</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	22 600 462	17 671 177
<b>Transfer revenue</b>			
Government grants		115 196 761	133 804 763
Fines		26 318 845	8 072 147
<b>Total revenue from non-exchange transactions</b>		<b>164 116 068</b>	<b>159 548 087</b>
<b>Total revenue</b>	18	<b>319 856 476</b>	<b>302 342 579</b>
<b>Expenditure</b>			
Personnel	26	(53 443 077)	(50 551 404)
Remuneration of councillors	27	(6 436 993)	(6 019 751)
Depreciation and amortisation	29	(31 629 659)	(30 343 133)
Finance costs	30	(16 463 654)	(8 578 557)
Debt impairment	28	(77 682 859)	(89 561 798)
Repairs and maintenance		(2 985 617)	(2 701 904)
Bulk purchases	32	(64 170 451)	(62 159 178)
Contracted services	31	(5 265 574)	(4 900 596)
Loss on disposal of assets		-	(835)
General expenses	25	(25 062 449)	(68 049 676)
<b>Total expenditure</b>		<b>(283 140 333)</b>	<b>(322 866 832)</b>
<b>Operating surplus (deficit)</b>		<b>36 716 143</b>	<b>(20 524 253)</b>
<b>Surplus (deficit) for the year</b>		<b>36 716 143</b>	<b>(20 524 253)</b>



# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at 30 June 2012</b>	<b>355 233 983</b>	<b>355 233 983</b>
Changes in net assets		
Deficit for the year	(20 524 253)	(20 524 253)
Prior period adjustments (refer to note 48)	166 720 036	166 720 036
Total changes	146 195 783	146 195 783
<b>Balance at 30 June 2013 - Restated</b>	<b>501 429 766</b>	<b>501 429 766</b>
Changes in net assets		
Prior period adjustments (refer to note 48)	(37 253 527)	(37 253 527)
Net income (losses) recognised directly in net assets	(37 253 527)	(37 253 527)
Surplus for the year	36 716 143	36 716 143
Total recognised income and expenses for the year	(537 384)	(537 384)
Total changes	(537 384)	(537 384)
<b>Balance at 30 June 2014</b>	<b>500 892 382</b>	<b>500 892 382</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

	Note(s)	2014 R	2013 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		69 557 532	69 079 540
Government grants		115 196 761	133 804 763
Interest revenue		631 189	447 036
Other receipts		7 613 166	14 790 441
		<u>192 998 648</u>	<u>218 121 780</u>
<b>Payments</b>			
Employee costs		(59 880 070)	(56 571 155)
Suppliers		(74 394 010)	(30 317 370)
Finance costs		(11 036 475)	(8 578 557)
		<u>(145 310 555)</u>	<u>(95 467 082)</u>
<b>Net cash flows from operating activities</b>	33	<b><u>47 688 093</u></b>	<b><u>87 455 327</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(24 922 797)	(92 783 190)
Purchase of intangible assets	5	-	(11 504)
Movement in investments		(24 451)	(19 450)
		<u>(24 947 248)</u>	<u>(92 814 144)</u>
<b>Net cash flows from investing activities</b>		<b><u>(24 947 248)</u></b>	<b><u>(92 814 144)</u></b>
<b>Cash flows from financing activities</b>			
Movement in borrowings		1 891 218	-
Repayment of borrowings		-	(3 446 570)
		<u>1 891 218</u>	<u>(3 446 570)</u>
<b>Net cash flows from financing activities</b>		<b><u>1 891 218</u></b>	<b><u>(3 446 570)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24 632 063</b>	<b>(8 805 387)</b>
Cash and cash equivalents at the beginning of the year		(10 598 653)	(1 793 266)
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>14 033 410</u></b>	<b><u>(10 598 653)</u></b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Appendix A
	R	R	R	R	R	

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Licence and permits	-	13 301 000	<b>13 301 000</b>	3 449 621	<b>(9 851 379)</b>
Service charges	132 889 876	124	<b>132 890 000</b>	124 286 968	<b>(8 603 032)</b>
Rental of facilities and equipment	-	489 000	<b>489 000</b>	383 483	<b>(105 517)</b>
Other income	171 430 000	(170 758 000)	<b>672 000</b>	1 448 781	<b>776 781</b>
Interest revenue	-	19 700 000	<b>19 700 000</b>	26 171 555	<b>6 471 555</b>

<b>Total revenue from exchange transactions</b>	<b>304 319 876</b>	<b>(137 267 876)</b>	<b>167 052 000</b>	<b>155 740 408</b>	<b>(11 311 592)</b>
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##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	28 711 000	-	<b>28 711 000</b>	22 600 462	<b>(6 110 538)</b>
Government grants	-	85 180 000	<b>85 180 000</b>	115 196 761	<b>30 016 761</b>

##### Transfer revenue

Fines	-	6 010 000	<b>6 010 000</b>	26 318 845	<b>20 308 845</b>
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<b>Total revenue from non-exchange transactions</b>	<b>28 711 000</b>	<b>91 190 000</b>	<b>119 901 000</b>	<b>164 116 068</b>	<b>44 215 068</b>
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<b>Total revenue</b>	<b>333 030 876</b>	<b>(46 077 876)</b>	<b>286 953 000</b>	<b>319 856 476</b>	<b>32 903 476</b>
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#### Expenditure

Personnel	(61 099 212)	(878 788)	<b>(61 978 000)</b>	(53 443 077)	<b>8 534 923</b>
Remuneration of councillors	-	(6 396 000)	<b>(6 396 000)</b>	(6 436 993)	<b>(40 993)</b>
Depreciation and amortisation	(28 184 557)	(443)	<b>(28 185 000)</b>	(31 629 659)	<b>(3 444 659)</b>
Finance costs	-	(2 967 000)	<b>(2 967 000)</b>	(16 463 654)	<b>(13 496 654)</b>
Debt impairment	-	(64 100 000)	<b>(64 100 000)</b>	(77 682 859)	<b>(13 582 859)</b>
Repairs and maintenance	(10 474 385)	1 128 546	<b>(9 345 839)</b>	(2 985 617)	<b>6 360 222</b>
Bulk purchases	(58 701 315)	-	<b>(58 701 315)</b>	(64 170 451)	<b>(5 469 136)</b>
Contracted Services	(12 155 000)	-	<b>(12 155 000)</b>	(5 265 574)	<b>6 889 426</b>
Other expenditure	(27 615 493)	3 661 332	<b>(23 954 161)</b>	(25 062 449)	<b>(1 108 288)</b>

<b>Total expenditure</b>	<b>(198 229 962)</b>	<b>(69 552 353)</b>	<b>(267 782 315)</b>	<b>(283 140 333)</b>	<b>(15 358 018)</b>
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<b>Surplus before taxation</b>	<b>134 800 914</b>	<b>(115 630 229)</b>	<b>19 170 685</b>	<b>36 716 143</b>	<b>17 545 458</b>
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# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Appendix A
	R	R	R	R	R	

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	-	-	-	710 520	710 520	
Investments	1 000 000	-	1 000 000	714 861	(285 139)	
Trade and other receivables from exchange transactions	34 540 000	-	34 540 000	15 138 425	(19 401 575)	
Trade and other receivables from non-exchange transactions	265 362 000	392 814 000	658 176 000	14 978 356	(643 197 644)	
VAT receivable	-	-	-	21 207 859	21 207 859	
Cash and cash equivalents	4 927 000	-	4 927 000	16 891 150	11 964 150	
	<b>305 829 000</b>	<b>392 814 000</b>	<b>698 643 000</b>	<b>69 641 171</b>	<b>(629 001 829)</b>	

##### Non-Current Assets

Investment property	-	-	-	32 587 374	32 587 374	
Property, plant and equipment	(55 754 676)	642 348 676	586 594 000	653 894 206	67 300 206	
	<b>(55 754 676)</b>	<b>642 348 676</b>	<b>586 594 000</b>	<b>686 481 580</b>	<b>99 887 580</b>	

<b>Total Assets</b>	<b>250 074 324</b>	<b>1 035 162 676</b>	<b>1 285 237 000</b>	<b>756 122 751</b>	<b>(529 114 249)</b>	
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#### Liabilities

##### Current Liabilities

Borrowings	50 000 000	(47 430 000)	2 570 000	6 352 015	3 782 015	
Trade and other payables from exchange transactions	-	50 000 000	50 000 000	105 952 874	55 952 874	
Consumer deposits	-	-	-	2 184 881	2 184 881	
Employee benefit obligation	-	-	-	817 321	817 321	
Unspent conditional grants and receipts	-	-	-	3 910 618	3 910 618	
Provision for rehabilitation of landfill sites	-	-	-	62 303 251	62 303 251	
Bank overdraft	2 570 000	-	2 570 000	2 857 740	287 740	
	<b>52 570 000</b>	<b>2 570 000</b>	<b>55 140 000</b>	<b>184 378 700</b>	<b>129 238 700</b>	

##### Non-Current Liabilities

Borrowings	46 509 000	(300 000)	46 209 000	45 954 235	(254 765)	
Employee benefit obligation	59 867 000	-	59 867 000	24 897 434	(34 969 566)	
	<b>106 376 000</b>	<b>(300 000)</b>	<b>106 076 000</b>	<b>70 851 669</b>	<b>(35 224 331)</b>	

<b>Total Liabilities</b>	<b>158 946 000</b>	<b>2 270 000</b>	<b>161 216 000</b>	<b>255 230 369</b>	<b>94 014 369</b>	
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<b>Net Assets</b>	<b>91 128 324</b>	<b>1 032 892 676</b>	<b>1 124 021 000</b>	<b>500 892 382</b>	<b>(623 128 618)</b>	
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#### Reserves

Accumulated surplus	91 128 324	1 032 892 676	1 124 021 000	500 892 382	(623 128 618)	
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# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Appendix A
	R	R	R	R	R	

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	105 455 000	-	105 455 000	69 557 532	(35 897 468)	
Government Grants	131 256 000	630 000	131 886 000	115 196 761	(16 689 239)	
Interest revenue	800 000	-	800 000	631 189	(168 811)	
Other receipts	-	-	-	7 613 166	7 613 166	
	<b>237 511 000</b>	<b>630 000</b>	<b>238 141 000</b>	<b>192 998 648</b>	<b>(45 142 352)</b>	

##### Payments

Employee costs	-	-	-	(59 880 070)	(59 880 070)	
Suppliers	(172 075 000)	3 871 000	(168 204 000)	(74 394 010)	93 809 990	
Finance costs	(2 967 000)	-	(2 967 000)	(11 036 475)	(8 069 475)	
	<b>(175 042 000)</b>	<b>3 871 000</b>	<b>(171 171 000)</b>	<b>(145 310 555)</b>	<b>25 860 445</b>	

<b>Net cash flows from operating activities</b>	<b>62 469 000</b>	<b>4 501 000</b>	<b>66 970 000</b>	<b>47 688 093</b>	<b>(19 281 907)</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(47 031 000)	-	(47 031 000)	(24 922 797)	22 108 203	
Movement in investments	-	-	-	(24 451)	(24 451)	

<b>Net cash flows from investing activities</b>	<b>(47 031 000)</b>	<b>-</b>	<b>(47 031 000)</b>	<b>(24 947 248)</b>	<b>22 083 752</b>	
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#### Cash flows from financing activities

Movement in borrowings	(3 506 000)	-	(3 506 000)	1 891 218	5 397 218	
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Net increase/(decrease) in cash and cash equivalents	11 932 000	4 501 000	16 433 000	24 632 063	8 199 063	
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Cash and cash equivalents at the beginning of the year	93 369 000	-	93 369 000	(10 598 653)	(103 967 653)	
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<b>Cash and cash equivalents at the end of the year</b>	<b>105 301 000</b>	<b>4 501 000</b>	<b>109 802 000</b>	<b>14 033 410</b>	<b>(95 768 590)</b>	
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# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand, which is the functional currency of the municipality, and rounded to the nearest Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Financial assets

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of related assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of related assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand for municipal services, timing of cash flows, together with economic factors such as inflation, interest rates.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the relevant note.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Post- retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the relevant note.

### 1.2 Investment property

Investment property is property (land or a building -or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transactions costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial recognition, items at property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Property, Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Land is not depreciated as it is deemed to have an indefinite useful life.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years



# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

#### Infrastructure

• Electricity	5 - 80 years
• Roads	5 - 80 years
• Water	10 - 100 years
• Sewerage	15 - 100 years
• Pedestrians malls	10 - 100 years
• Housing	80 years
• Solid waste	5 - 100 years
• Rail assets	20 - 100 years
• ICT	1 - 120 years

#### Community

• Buildings and other assets	20 - 80 years
• Recreation facilities	10 - 80 years
• Security measures	5 - 15 years

#### Other property, plant and equipment

• Buildings	20 - 80 years
• Office equipment	3 - 5 years
• Furniture and fittings	7 years
• Other items of plant and equipment	2 - 20 years
• Specialised vehicles	3 - 20 years
• Specialised plant and equipment	10 - 20 years
• Water craft	15 years

The remaining useful life of an asset and depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting period.

### Derecognition

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

##### Trade and other receivables

Debtors are initially recognised at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance. An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified in the Statement of Financial Performance.

##### Trade and other payables

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

##### Cash and cash equivalents, and short-term investments

Cash and cash equivalents comprise cash on hand and demand deposits; and other short-term highly liquid investments that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in value. These cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

##### Bank overdraft, borrowings and other financial liabilities

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the effective interest rate method.

Other financial liabilities are subsequently carried at amortised cost.

##### Impairment and uncollectibility of financial assets

The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

##### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, waived or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Operating leases - The Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases -The Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.7 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

The municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the municipality determines the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

Impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

Reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

# **Maquassi Hills Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.9 Impairment of non-cash-generating assets**

Non-cash-generating assets are those assets held by the municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The municipality will apply its judgment and disclose the criteria used in making such judgment in cases where it's not clear whether the primary objective is to generate a commercial return.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality determines the recoverable service amount of the asset. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use, are tested for impairment annually, irrespective of whether any indication of impairment exists.

### **1.10 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.10 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

#### Other employee benefits

The municipality provides post-retirement health care benefits, upon retirement to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The Municipality also provides long service awards. Awards are accrued over the period of employment .

Independent qualified actuaries carry out valuations of these awards.

The cost of providing the above mentioned benefits is determined using the projected credit method.

#### Actuarial gains/losses

Actuarial gains and losses may result from increases or decreases in either the present value of a defined employee benefit obligation or the fair value of any related plan assets. Causes of actuarial gains and losses may include:

- Unexpectedly high or low rates of employee turnover, early retirement or mortality or of increase in salaries, benefits or medical costs;
- The effect of changes in estimates of future employee turnover, early retirement or mortality or of increase in salaries, benefits or medical costs;
- The effect of changes in the discount rate; and
- Differences between the actual return on plan assets and the expected return on plan assets

Actuarial gains and losses are recognised in full in the year that they occur in the statement of financial performance.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If Municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the relevant note.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and Value Added Tax ( VAT).

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Stage of completion is determined by:

- Surveys of work performed;
- Services performed to date as a percentage of total services to be performed; or
- the proportion that the costs incurred to date bear to the total estimated costs of the transaction.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest, royalties and dividends

Revenue arising from the use by others of Municipality assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.13 Revenue from non-exchange transactions

In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable.

#### Transfers and grants

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

#### Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

IGRAP 1 indicates that non-payment in exchange and non-exchange revenue transactions should be considered when assessing impairment rather than in the initial consideration of whether or not it is probable that economic benefits or service potential will flow to the entity. As public sector entities are required to collect all revenue due to them, IGRAP 1 ensures that appropriate accountability is exercised over this process.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

#### Income foregone

In terms of the Municipal Property Rates Act, Act 6 of 2004 rebates and exemptions from property rates are provided. Rebates and exemptions are reductions in the amounts of property rates payable by property owners. They are foregone revenue and do not give rise to inflows or outflows of resources.

The effect is therefore that no revenue is recognised by the Municipality in the statement of financial performance for any rebates or exemptions granted.

#### Indigent subsidy

All registered indigents receive a monthly subsidy for basic services which is funded from the equitable share.

The Municipality does not recognise revenue for the provision of free basic services in the statement of financial performance; however it does recognise an expense for such services provided in the statement of financial performance.

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation otherwise than in accordance with any conditions of the allocation; or;
- a grant by the municipality otherwise than in accordance with MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.18 Budget information

The budget has been included in the Financial Statements in accordance with GRAP24.

The financial statements and the budget are both prepared on the accrual basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in Statement of comparison of budget and actual amounts.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

- Key management personnel, close members of the family of key management personnel and councillors

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.20 Going concern

The annual financial statements have been prepared on the assumptions that the municipality will continue to operate as a going concern for at least the next twelve months.

### 1.21 VAT

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

### 1.22 Commitments

Where the municipality has committed itself to future transactions where there is the probability of the outflow of resources, it is regarded as capital commitments.

The identified capital commitments are only disclosed in the notes to the financial statements and are not regarded as liabilities.

The commitments are disclosed when the specific expenditure is approved and the tender has already been awarded to certain contractors at reporting date. If the contract has been awarded at reporting date, but the goods or services have not been delivered/rendered, the municipality also discloses the contract as a capital commitment.

# **Maquassi Hills Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.23 Consumer deposits**

Before a service may be supplied the consumer must-

- enter into a service-delivery agreement with the municipality and such agreement must provide for a deposit to be paid as security;
- pay the required security deposit.

A consumer must enter into a separate service-delivery agreement in respect of every separate property.

The deposit to be paid must be in accordance with the approved tariff listing of the municipality, which tariff listing forms part of the annual budget of the municipality.

The municipality must maintain a deposit register. The total sum of deposits received constitutes a liability in the books of the municipality.

No interest accrues in favour of the consumer upon termination of the service-delivery agreement with the municipality. The deposit will first be offset against any outstanding balance and the balance, if any, will be refunded to the depositor/debtor.

A deposit paid in respect of one property may not be transferred to another property.

### **1.24 Events after reporting date**

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);and
- those that are Indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

*GRAP 18: Segment Reporting - Issued March 2005*

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

The effective date of the standard is for years beginning on or after 01 April 2016.

*GRAP 105: Transfers of functions between entities under common control - Issued November 2010*

Compliance with this standard will not have an impact on the current financial information as no transactions relating to the transfer of functions between entities under common control exist in the current year.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

*GRAP 106: Transfers of functions between entities not under common control - Issued November 2010*

Compliance with this standard will not have an impact on the current financial information as no transactions relating to the transfer of functions between entities not under common control exist in the current year.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

*GRAP 107: Mergers - Issued November 2010*

Compliance with this standard will not have an impact on the current financial information as no transactions relating to mergers exist in the current year.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

*GRAP 20: Related parties disclosures - Issued June 2011*

Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

*GRAP 32: Service Concession Arrangement: Grantor - issued August 2013*

Compliance with this standard will not have an impact on the current financial information as the municipality does not currently have any service concessions arrangements.

The municipality expects to adopt the interpretation for the first time in the 2015 financial statements.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

### 3. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	155 709 591	(45 145 606)	110 563 985	155 709 590	(42 223 548)	113 486 042
Infrastructure	892 250 437	(421 934 204)	470 316 233	886 724 222	(396 635 877)	490 088 345
Community	15 777 578	(7 529 538)	8 248 040	15 777 578	(6 914 676)	8 862 902
Work in progress	57 531 166	-	57 531 166	40 186 760	-	40 186 760
Other assets	19 311 557	(12 076 775)	7 234 782	17 259 382	(9 282 362)	7 977 020
<b>Total</b>	<b>1 140 580 329</b>	<b>(486 686 123)</b>	<b>653 894 206</b>	<b>1 115 657 532</b>	<b>(455 056 463)</b>	<b>660 601 069</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Closing balance
Land	113 486 042	-	(2 922 057)	110 563 985
Infrastructure	490 088 345	5 526 214	(25 298 326)	470 316 233
Community	8 862 902	-	(614 862)	8 248 040
Work in progress	40 186 760	17 344 406	-	57 531 166
Other assets	7 977 020	2 052 177	(2 794 415)	7 234 782
	<b>660 601 069</b>	<b>24 922 797</b>	<b>(31 629 660)</b>	<b>653 894 206</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Acquisitions	Transfers	Depreciation	Prior period error	Closing balance
Land	47 423 145	-	-	(2 922 056)	68 984 953	113 486 042
Infrastructure	435 145 045	42 139 935	-	(24 321 038)	37 124 403	490 088 345
Community	764 600	-	-	(614 862)	8 713 164	8 862 902
Work in progress	14 923 731	50 620 680	(42 139 935)	-	16 782 284	40 186 760
Other assets	7 891 375	22 575	-	(2 469 514)	2 532 584	7 977 020
	<b>506 147 896</b>	<b>92 783 190</b>	<b>(42 139 935)</b>	<b>(30 327 470)</b>	<b>134 137 388</b>	<b>660 601 069</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Investment property

	2014			2013		
	Valuation	Fair value adjustments	Carrying value	Valuation	Fair value adjustments	Carrying value
Investment property	32 587 374	-	32 587 374	32 587 374	-	32 587 374

#### Reconciliation of investment property - 2014

	Opening balance	Closing balance
Investment property	32 587 374	32 587 374

#### Reconciliation of investment property - 2013

	Opening balance	Correction of error	Restated balance
Investment property	-	32 587 374	32 587 374



# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 4. Investment property (continued)

#### Pledged as security

No assets are pledged as security.

The significant portion of municipality investment property is vacant land.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The prior year figure has been restated due to land which belongs to the municipality which was not previously recognised. The investment property was valued by a professional valuers as at 30 June 2014. Property discount indices where used to derive the restated balance as at 30 June 2013.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 5. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	-	-	-	715 437	(671 306)	44 131

#### Reconciliation of intangible assets - 2014

	Opening balance	Derecognition	Closing Balance
Computer software	44 131	(44 131)	-

#### Reconciliation of intangible assets - 2013

	Opening balance	Acquisitions	Disposals	Amortisation	Closing Balance
Computer software	49 124	11 504	(835)	(15 662)	44 131

### 6. Inventories

Consumable stores	710 520	660 463
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There were no inventory write downs during the year.

#### Inventory pledged as security

No assets are pledged as security.

### 7. Investments

#### At amortised cost

First National Bank Limited	328 467	311 935
SWK Shares Maquassi	6 612	4 628
SWK Shares Wolmaranstad	8 920	6 244
SWK Shares Leeudoringstad	10 862	7 603
ABSA Bank Limited	360 000	360 000
	<b>714 861</b>	<b>690 410</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>8. Employee benefit obligation</b>		
<b>Defined benefit plan</b>		
<b>Post retirement health care benefits</b>		
<p>The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.</p> <p>Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.</p> <p>Eligible employees are entitled to receive a post-employment subsidy, which will be at a rate of 70% of the contribution payable should they be a member of a medical scheme at retirement.</p> <p>All continuation members and their eligible dependants receive a 70% subsidy.</p> <p>Upon a member's death-in-service the surviving dependants will not continue to receive the 70% subsidy.</p> <p>The projected unit credit method has been used to value the liability. The valuation was performed by ARCH Actuarial Consulting as at 30 June 2014. The total liability has increased by 21% since the last actuarial valuation (performed as at 30 June 2012) primarily due to an increase in the average future employer contribution, a decrease in the net discount rate (combined with an increase in the number of members), but partially offset by a decrease in the average past service.</p> <p>There are no long-term assets set aside off-balance sheet in respect of the Municipality's post-retirement health care liability.</p>		
<b>Long service awards</b>		
<p>The Municipality offers employees long service award for every five years of service completed, from ten years of service to 45 years of service, inclusive. The recognition of service is calculated from the later of the date of appointment and 1 July 1986.</p> <p>The projected unit credit method has been used to value the liability. The valuation was performed by ARCH Actuarial Consulting as at 30 June 2014. The total liability has increased by 15.7% since the last actuarial valuation (performed as at 30 June 2012) due to an increase in the average salary and an increase in average past service cost, partially offset by an increase in the net discount rate and by the fact that there are 24 fewer eligible employees than at the last valuation.</p> <p>There are currently no long-term assets set aside off-balance sheet in respect of the Municipality's long service award liability.</p>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Opening balance	23 484 421	21 134 335
Current service costs	1 556 075	1 444 237
Benefits paid	(726 775)	(742 384)
Actuarial gain	(431 247)	-
Interest cost	1 832 281	1 648 233
<b>Total Employee Benefits</b>	<b>(25 714 755)</b>	<b>(23 484 421)</b>
Non-current liabilities	(24 897 434)	(23 484 421)
Current liabilities	(817 321)	-
	<b>(25 714 755)</b>	<b>(23 484 421)</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>8. Employee benefit obligation (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1 556 075	1 444 237
Benefits paid	(726 775)	(742 384)
Interest cost	1 832 281	1 648 233
Actuarial gain	(431 247)	-
	<b>2 230 334</b>	<b>2 350 086</b>
<b>8.1 Post retirement health care benefits</b>		
Balance at beginning of the year	21 256 004	19 135 239
Current services costs	1 209 938	1 119 626
Benefits paid	(473 417)	(521 724)
Actuarial gain	(548 665)	-
Interest cost	1 692 465	1 522 863
	<b>23 136 325</b>	<b>21 256 004</b>
<b>Net expense recognised in Statement of Financial Performance</b>		
Current services costs	1 209 938	1 119 626
Benefits paid	(473 417)	(521 724)
Actuarial gain	(548 665)	-
Interest cost	1 692 465	1 522 863
	<b>1 880 321</b>	<b>2 120 765</b>
<b>8.2 Long service award</b>		
Opening balance	2 228 417	1 999 096
Current services costs	346 137	324 611
Benefits paid	(253 358)	(220 660)
Actuarial loss	117 418	-
Interest cost	139 816	125 370
	<b>2 578 430</b>	<b>2 228 417</b>
<b>Net expenses recognised in Statement of Financial Performance</b>		
Current services costs	346 137	324 611
Benefits paid	(253 358)	(220 660)
Actuarial loss	117 418	-
Interest cost	139 816	125 370
	<b>350 013</b>	<b>229 321</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 8. Employee benefit obligation (continued)

#### Key assumptions used - Post-retirement Health Care Benefits

Assumptions used at the reporting date:

Discount rates used	9.31 %	8.07 %
Health care cost inflation rate	8.46 %	7.10 %
Net effective discount rate	0.78 %	0.90 %

Average retirement age	60	60
Number of eligible in-service members and non-members	268	289
Number of continuation (retiree and widow) members	14	17

#### Sensitivity Analysis - Post-retirement Health Care Benefits

Below is the summary of the results of sensitivity analysis.

A percentage point change in the assumed health care inflation would have the following effect:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest	651 300	(504 500)
Effect on the obligation	4 658 000	(3 667 000)

#### Key assumptions used - Long Service Awards

Assumptions used at the reporting date:	<b>2014</b>	<b>2013</b>
Discount rates used	7.94%	6.63%
Health care cost inflation rate	7.10%	5.96%
Net effective discount rate	0.78%	0.63%

Average retirement age	60	60
Number of eligible in-service members	265	289

#### Sensitivity Analysis - Long Service Awards

Below is the summary of the results of sensitivity analysis.

A percentage point change in the assumed general salary inflation would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest	31 500	(28 100)
Effect on the obligation	168 000	(152 000)

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R	
<b>9. Trade and other receivables from non-exchange transactions</b>			
Fines	7 359 509	3 937 539	
Other debtors - billing	1 684 649	1 035 283	
Other debtors	2 518 286	2 740 905	
Property rates	3 415 911	1 283 824	
	<b>14 978 355</b>	<b>8 997 551</b>	
<b>As at 30 June 2014</b>	<b>Gross Balance</b>	<b>Impairment</b>	<b>Net balance</b>
Fines	23 543 333	(16 183 824)	7 359 509
Other debtors- billing	83 642 930	(81 958 282)	1 684 648
Other debtors	2 518 286	-	2 518 286
Property rates	34 148 047	(30 732 135)	3 415 912
	<b>143 852 596</b>	<b>(128 874 241)</b>	<b>14 978 355</b>
<b>As at 30 June 2013</b>	<b>Gross Balance</b>	<b>Impairment</b>	<b>Net balance</b>
Fines	3 937 539	-	3 937 539
Other debtors - billing	58 374 719	(57 572 993)	801 726
Other debtors	2 740 905	-	2 740 905
Property rates	27 216 915	(25 699 534)	1 517 381
	<b>92 270 078</b>	<b>(83 272 527)</b>	<b>8 997 551</b>
<b>Ageing as at 30 June 2014</b>		<b>Property rates</b>	<b>Other debtors billing</b>
Current (0-30 days)		1 478 377	2 518 813
31 - 60 days		851 245	2 432 041
61 - 90 days		796 546	2 378 548
91+ days		31 021 879	76 313 529
		<b>34 148 047</b>	<b>83 642 931</b>
<b>Ageing as at 30 June 2013</b>		<b>Property rates</b>	<b>Other debtors - billing</b>
Current (0-30 days)		2 184 620	3 524 333
31-60 days		742 403	1 662 406
61-90 days		718 434	1 619 604
91+ days		23 571 458	51 568 376
		<b>27 216 915</b>	<b>58 374 719</b>
<b>Reconciliation of allowance for</b>	<b>2014</b>	<b>2013</b>	
Beginning of year	83 272 527	59 140 209	
VAT provision	24 005	(3 022)	
Contributions to provision	45 577 710	24 135 340	
<b>Balance at the end of the year</b>	<b>128 874 242</b>	<b>83 272 527</b>	
There are no receivables pledged as security for debt.			
<b>10. VAT receivable</b>			
VAT	21 207 859	14 994 384	

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>11. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	16 344 775	11 347 018
Water	180 650 165	135 689 310
Sewerage	105 660 602	84 907 149
Refuse	55 194 684	44 949 703
	<b>357 850 226</b>	<b>276 893 180</b>
<b>Less: Allowance for impairment</b>		
Electricity	(10 473 527)	(6 037 026)
Water	(175 052 863)	(133 305 550)
Sewerage	(102 830 596)	(83 099 158)
Refuse	(54 354 816)	(44 281 128)
	<b>(342 711 802)</b>	<b>(266 722 862)</b>
<b>Net balance</b>		
Electricity	5 871 248	5 309 992
Water	5 597 302	2 383 760
Sewerage	2 830 006	1 807 991
Refuse	839 868	668 575
	<b>15 138 424</b>	<b>10 170 318</b>
<b>Ageing as at 30 June 2014</b>		<b>Gross balance</b>
Current (0-30 days)		12 119 786
31 - 60 days		7 780 866
61 - 90 days		7 405 064
91+ days		330 544 510
		<b>357 850 226</b>
<b>Ageing as at 30 June 2013</b>		<b>Gross balance</b>
Current ( 0 - 30 days)		28 578 649
31 - 60 days		5 887 923
61 - 90 days		6 309 047
91+ days		236 117 561
		<b>276 893 180</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	266 722 862	192 248 313
Contributions to allowance	66 708 682	65 426 458
Vat provision	9 280 258	9 048 091
<b>Balance at the end of year</b>	<b>342 711 802</b>	<b>266 722 862</b>
<b>Consumer debtors pledged as security</b>		
There are not receivables pledged as security for debt.		

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>12. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	7 282	7 282
Bank balances	16 883 868	9 631 966
Bank overdraft	(2 857 740)	(20 237 901)
	<b>14 033 410</b>	<b>(10 598 653)</b>
Current assets	16 891 150	9 639 248
Current liabilities	(2 857 740)	(20 237 901)
	<b>14 033 410</b>	<b>(10 598 653)</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
ABSA Bank - Current Account 4055605473	389 231	420 181	(2 857 740)	(20 237 901)
ABSA Bank - Current Account 4061545689	2 750 640	1 510 378	2 750 640	1 510 378
ABSA Bank - Current Account 4050989969	513 590	1 411 450	513 590	1 411 450
ABSA Bank Current Account 4064023765	12 133 945	4 213 967	12 133 945	4 213 967
ABSA Bank - Current Account 4064584280	6 252	7 376	6 252	7 376
ABSA Bank - Current Account 4055636965	25 403	26 146	25 403	26 146
First National Bank - Current Account 54311117765	-	27 853	-	27 853
First National Bank - Current Account 74364756708	-	619 000	-	619 000
ABSA Bank - Current Account 4049678703	96 508	97 138	96 508	97 138
ABSA Bank Limited - Current Account Account 4055686261	873 120	1 251 044	873 120	1 251 044
ABSA Bank - Current Account 4052543232	77 438	77 849	77 438	77 849
ABSA Bank - Current Account 4064692380	20 751	20 814	20 751	20 814
ABSA Bank - Current Account 9126643503	324 843	310 316	324 843	310 316
ABSA Bank - Current Account 9138622957	61 380	58 635	61 380	58 635
<b>Total</b>	<b>17 273 101</b>	<b>10 052 147</b>	<b>14 026 130</b>	<b>(10 605 935)</b>

## 13. Borrowings

### At amortised cost

Correction of prior period error	-	221 297
Annuity loan DBSA 61007163	1 556 593	-
Annuity loan DBSA 61007165	49 950 646	-
Annuity loan DBSA 102801_8	-	47 912 263
Annuity loan DBSA 102901/1-3	-	1 563 347
Annuity loan DBSA 10263/102	799 011	718 125
<b>Total borrowings</b>	<b>52 306 250</b>	<b>50 415 032</b>



# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>13. Borrowings (continued)</b>		
<b>Non-current liabilities</b>		
At amortised cost	45 954 235	47 306 381
<b>Current liabilities</b>		
At amortised cost	6 352 015	3 108 651

During the current year loans were restructured, terms and conditions remain the same.

The municipality received three loans from the Development Bank of Southern Africa (DBSA) to fund infrastructure expenditure. The terms are as follows:

	Interest rate	Redemption date
DBSA 61007163	7.5%	30.06.2017
DBSA 61007165	5%	30.06.2033
DBSA 10236/102	10%	30.09.2016

### 14. Trade and other payables from exchange transactions

Trade creditors	44 257 075	1 323 428
Accruals	42 574 555	60 441 463
Retention	4 578 956	5 571 187
Leave pay accrual	5 604 773	4 347 753
Payments received in advance	2 594 140	2 180 924
Other creditors	3 291 331	4 591 685
Bonus accrual	935 730	914 381
Performance bonus accrual	458 431	109 826
Deposits	517 902	460 476
Consumer debt	369 518	322 231
Department of Human Settlement	770 461	770 461
	<b>105 952 872</b>	<b>81 033 815</b>

Trade payables are normally settled within 30 days.

The leave pay accrual is accrued at the Basic Conditions of Employment Act rate and is accumulated to a maximum of 48 days per employee. The leave pay accrual represents the number of leave days due to individual staff members at year end. The amount of the accrual is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Payments received in advance represents advance payments made by customers.

### 15. Consumer deposits

Water and Electricity	2 184 881	2 101 137
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The amount reflected represent a cost value as it is impractical to determine fair value.

Management however believes that the cost value approximates the fair value.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	594 642	-
Provincial Government Library Grant	1 230 263	380 263
EPWP Roads	1 594 258	594 259
Dr Kenneth Kaunda District Municipality	491 455	-
	<b>3 910 618</b>	<b>974 522</b>

### Movement during the year

Unspent at the beginning of the year	(974 521)	(1 300 227)
Amounts received during current year	(118 132 859)	(133 005 777)
Transferred to revenue during current year	115 196 762	133 331 483
	<b>(3 910 618)</b>	<b>(974 521)</b>

See Note 21 for the liability at financial year end and Appendix B for more details.

### 17. Provision for rehabilitation of landfill sites

#### Reconciliation of provision for rehabilitation of landfill sites - 2014

	Opening balance	Discount rate adjustment	Closing balance
Environmental rehabilitation	58 708 354	3 594 897	62 303 251

#### Reconciliation of provision for rehabilitation of landfill sites - 2013

	Opening Balance	Discount rate adjustment	Restated balance
Environmental rehabilitation	19 732 250	38 976 104	58 708 354

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. A report was compiled for all landfill sites after being inspected by AECOM SA. This report has been compiled in order to assure that the Municipality complies with the minimum requirements as set out in the Department of Water Affairs Minimum requirements for Waste Disposal by Landfill, 1998 and the current National norms and standards for Waste Disposal as published in Government Gazette Notices 634, 635 and 636 of 2013 as well as the National Environment Management Waste Act ( Act 59 of 2008).

The net present value has been calculated in terms of historic and current South African Inflation Rates.

### 18. Revenue

Fines	26 318 845	8 072 147
Government grants	115 196 761	133 804 763
Interest revenue	26 171 555	18 809 159
Licences and permits	3 449 621	3 102 714
Other income	1 448 781	2 242 823
Property rates	22 600 462	17 671 177
Rental of facilities and equipment	383 483	223 535
Service charges	124 286 968	118 416 261
	<b>319 856 476</b>	<b>302 342 579</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>18. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Licence and permits	3 449 621	3 102 714
Service charges	124 286 968	118 416 261
Rental of facilities and equipment	383 483	223 535
Other income	19 154 833	2 242 823
Interest revenue	26 171 555	18 809 159
	<b>173 446 460</b>	<b>142 794 492</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	22 600 462	17 671 177
<b>Transfer revenue</b>		
Government grants	115 196 761	133 804 763
Fines	26 318 845	8 072 147
	<b>164 116 068</b>	<b>159 548 087</b>
<b>19. Property rates</b>		
<b>Rates received</b>		
All categories	22 600 462	17 671 177
<b>Valuations</b>		
Residential	837 353 359	768 021 907
Commercial	195 923 579	199 459 579
State	66 477 363	66 878 863
Agriculture	1 554 179 119	1 617 131 131
Other	6 200 000	5 952 000
	<b>2 660 133 420</b>	<b>2 657 443 480</b>
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
Rates are levied on a monthly basis.		
Interest is levied on rates outstanding after 30 days at prime interest rate plus 1%.		
<b>Income foregone</b>		
In terms of the Municipal Property Rates Act, Act 6 of 2004 rebates and exemptions from property rates are given.		
The following is applicable for the year under review:		
Residential	(3 199 567)	(2 976 017)
Agriculture	(557 460)	(827 733)
	<b>(3 757 027)</b>	<b>(3 803 750)</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>20. Service charges</b>		
Sale of electricity	41 533 546	38 886 639
Sale of water	46 690 520	46 203 009
Sewerage and sanitation charges	24 714 288	22 725 498
Refuse removal	11 348 614	10 601 115
	<b>124 286 968</b>	<b>118 416 261</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>21. Government grants and subsidies</b>		
Municipal Infrastructure Grant	26 829 358	34 470 000
DWAF Bulk Water	1 472 388	9 338 349
Fire Brigade Grant	2 100 000	-
Equitable share	81 259 000	76 836 000
Other Government Grants and Subsidies	2 440 000	13 160 414
Dr Kenneth Kaunda District Municipality	1 096 015	-
	<b>115 196 761</b>	<b>133 804 763</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

Indigent subsidy	1 554 492	1 724 696
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### Municipal Infrastructure Grant

Current year receipts	(27 424 000)	(34 470 000)
Conditions met - transferred to revenue	26 829 358	34 470 000
<b>Conditions still to be met - transferred to liabilities</b>	<b>(594 642)</b>	<b>-</b>

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. One of the key objects of the grant is to fully subsidise the capital costs of providing basic services to poor households. This implies that priority must be given to meeting the basic infrastructure needs of poor households, through the provision of appropriate bulk, connector and internal infrastructure in key services.

The grant was used by the municipality to build and develop its infrastructure. The unspent funds are committed to the approved projects and those that are in progress. See note 16 for the liability at financial year end.

### Provincial Government Library Grant

Balance unspent at beginning of year	(380 263)	(1 150 260)
Current year receipts	(850 000)	(390 543)
Conditions met - transferred to revenue	-	1 160 540
<b>Conditions still to be met - transferred to liabilities</b>	<b>(1 230 263)</b>	<b>(380 263)</b>

The purpose of the grant is to maintain and operate the local library for the benefit of the community. The unused funds are committed and remain liability at financial year end (see Note 16).

### Finance Management Grant

Current year receipts	(1 550 000)	(1 500 000)
Conditions met - transferred to revenue	1 550 000	1 500 000
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

The main purpose of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. Its primary purpose is to assist building strong financial management skills. The grant was utilised by the Municipality for the intended purposes. There were no unused funds at the end of the financial year.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 21. Government grants and subsidies (continued)

#### DWAF Bulk Water

Current year receipts	-	(9 338 349)
Conditions met - transferred to revenue	-	9 338 349
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

This grant is received from the Department of Water Affairs as a Regional Bulk Infrastructure Grant (RBIG). This grant is earmarked for the Upgrading of the Wolmaransstad Waste Water Treatment Works.

#### Dr Kenneth Kaunda District Municipality

Current year receipts	(1 587 470)	(8 000 000)
Conditions met - transferred to revenue	1 096 015	8 000 000
<b>Conditions still to be met - transferred to liabilities</b>	<b>(491 455)</b>	<b>-</b>

This grant is received from Dr Kenneth Kaunda District Municipality as part of Inter-Governmental Relations. The grant is based on a business plan submission by the Municipality to the District Municipality. The District Municipality remains the implementing agent and our Municipality will be the beneficiary.

#### Local Government of Traditional Affairs

Current year receipts	-	(12 124)
Conditions met - transferred to revenue	-	12 124
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

The grant is received from the Department of Local Government and Traditional Affairs as a Provincial Infrastructure Grant (PIG). This grant complements the Municipal Infrastructure Grant. The grant was used by the municipality to build and develop its infrastructure.

#### EPWP Roads

Balance unspent at beginning of year	(594 258)	(149 967)
Current year receipts	(1 000 000)	(2 132 040)
Conditions met - transferred to revenue	-	1 687 749
<b>Conditions still to be met - transferred to liabilities</b>	<b>(1 594 258)</b>	<b>(594 258)</b>

The grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation. The unused funds are committed and should remain a liability at financial year end (see Note 16).

#### Municipal Systems Improvement Grant

Current year receipts	(890 000)	(800 000)
Conditions met - transferred to revenue	890 000	800 000
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

The grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist municipalities in developing their planning, budgeting financial management and technical skills. The grant was utilised by the Municipality for its intended purposes. There were no unused funds at the end of the financial year.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>21. Government grants and subsidies (continued)</b>		
<b>WWTP Government Grant</b>		
Current year receipts	(1 472 388)	-
Conditions met - transferred to revenue	1 472 388	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>Fire Brigade</b>		
Current year receipts	(2 100 000)	-
Conditions met - transferred to revenue	2 100 000	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
The grant is received from the Department of Local Government and Traditional Affairs as a Disaster Management Grant. This grant was used to uplift the Municipalities Fire Emergency Services by means of new fire fighting vehicles.		
<b>22. Interest revenue</b>		
<b>Interest revenue</b>		
Bank	631 189	447 036
Interest charged on trade and other receivables	25 540 366	18 362 123
	<b>26 171 555</b>	<b>18 809 159</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>23. Other income</b>		
Actuarial gains on employee benefit obligation	548 665	-
Advertising	13 616	42 471
Blocked sewerage fees	5 688	8 208
Building plans fees and copies	138 370	95 293
Cellphone/ telephone refund	22 223	-
Cemetery fees	106 135	95 306
Cleaning of stands	1 229	585
Clearance certificates	16 759	12 971
Connection fees : electricity	9 091	26 562
Connection fees : sewerage	3 157	2 774
Connection fees : water	3 624	9 534
Deeds search	137	68
Dividends	841	-
Encroachment	1 028	888
Garden refuse removal	-	585
Insurance claims paid out	82 500	489 652
Lost books library	-	10
Membership fees - libraries	-	4 496
Meter testing	740	1 581
Photostat fees	4 532	10 679
Poster fees	86 120	57 710
Rd cheque charges	-	1 197
Reconnections : electricity	83 939	39 232
Reconnections: water	10 961	14 247
Sale of inventory	135 102	367 294
Sales : refuse bins	1 528	513
Seta	36 499	202 707
Stock surplus	14 158	98 505
Sub division of erven	-	351
Sundries	3 372	438 558
Supply of information	106 214	109 953
Surplus : cash	201	1 842
Transfer of erven	9 132	108 538
User fees	3 008	-
Valuation certificates	212	513
	<b>1 448 781</b>	<b>2 242 823</b>

## 24. Rental of facilities and equipment

Rental of facilities	383 483	223 535
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# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>25. General expenses</b>		
Advertising	213 815	138 395
Aid allowance and grants	1 204 000	1 230 494
Auditors remuneration	2 331 152	1 890 278
Bank charges	475 264	430 173
Cleaning	77 577	85 040
Community development and training	21 774	-
Consulting and professional fees	2 967 542	8 795 996
Contribution to annual bonus	21 348	-
Contribution to landfill site	-	37 090 826
Contribution to performance bonuses	348 607	-
Contributions to leave and bonuses	5 399 841	2 474 176
Contributions to leave provision	560 923	-
Deed notices	22 457	10 881
Departmental consumption	1 548 981	1 586 241
Dustbins	-	231
Entertainment	46 209	99 921
Fuel and oil	1 230 374	1 409 232
Hosting of meetings	-	30 197
Indigent relief	1 554 492	1 724 696
Internal transfers	854 632	781 159
Internet services	48 013	35 598
Legal fees	990 933	3 215 536
License fees	172 387	130 052
Mayoral projects	15 327	1 556 949
Membership fees	617 802	1 095 309
Postage	248 426	167 767
Printing and stationery	494 361	590 379
Security costs	721 644	333 773
Skills development levies	449 268	419 783
Social activities	-	107
Stock shortage	-	74 288
Stocks and material	8 423	19 380
Subscription and publication	14 818	96 261
Sundries	7 968	9 392
Telephone	1 186 896	1 198 400
Town planning scheme	677 747	385 767
Training	24 459	213 391
Travel and subsistence	486 454	700 870
Uniforms	16 672	28 738
VTS and DLCT	1 863	-
	<b>25 062 449</b>	<b>68 049 676</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>26. Employee related costs</b>		
Employee related costs - Salaries and Wages	31 587 570	29 501 395
Overtime payments	2 785 600	1 833 747
Performance and other bonuses	2 501 274	2 316 911
Employee related costs - Contributions for UIF, pensions and medical aids	10 142 248	9 676 412
Other employee related costs	804 002	659 858
Long-service awards	253 358	212 220
Travel, motor car, accommodation, subsistence and other allowances	2 391 931	2 570 384
Housing benefits and allowances	234 341	240 650
	<b>50 700 324</b>	<b>47 011 577</b>

### Remuneration of Municipal Manager

Annual Remuneration	664 154	558 341
Car allowance, travel, subsistence & other allowances	219 553	140 747
Contributions to UIF, Medical and Pension Funds	197 010	148 024
	<b>1 080 717</b>	<b>847 112</b>

The Municipal Manager was appointed in August 2012.

### Remuneration of Chief Finance Officer

Annual Remuneration	419 732	636 776
Car Allowance, travel, accommodation, subsistence and other allowances	109 464	289 899
Performance Bonuses	-	63 051
Contributions to UIF, Medical and Pension Funds	5 111	1 166
	<b>534 307</b>	<b>990 892</b>

The position of Chief Financial Officer was vacant since February 2013. Ms Jonker acted in the position from March 2013 until 1 August 2013 and from 1 October to 30 November 2013. From December 2013 there was no acting Chief Financial Officer. Acting allowance is included above.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 26. Employee related costs (continued)

#### Remuneration of executive directors

##### Remuneration of Individual Executive Directors

	Technical Services	Corporate Services	Community Services
<b>2014</b>			
Annual Remuneration	335 360	254 704	222 935
Travel, motor car, accommodation, subsistence and other allowances	71 424	233 808	-
Contributions to UIF, Medical and Pension Funds	4 492	5 006	-
	<b>411 276</b>	<b>493 518</b>	<b>222 935</b>

The position for Director Technical Services was vacant from 16 May 2013 to 31 December 2013. Mr V.AK. Motlashuping acted in the position from 17 May 2013 till 31 August 2013. Acting allowance is included in above.

The position for Director Corporate Services was vacant since October 2010. Ms J.M. Rudman acted in the position from July 2012 till 30 October 2012 and May 2013 till 31 August 2013 and Mr AK.J. Leseisane from November 2012 till May 2013. For December 2013 there was no acting Director for Corporate Services. Acting allowance is included above. The position for Director Community Services was vacant since July 2013. Mr T.I. Mokwena acted in the position from July 2013 till 30 September 2013. For the month of November 2013 Mr B.V. Sebekedi acted as Director Community Services. For December 2013 there was no acting Director for Community Services. Acting allowance is included above.

##### Remuneration of Individual Executive Directors

<b>2013</b>			
Annual Remuneration	453 590	302 801	73 746
Performance and other bonuses	63 051	-	7 881
Travel, motor car, accommodation, subsistence and other allowances	453 661	-	213 606
Contributions to UIF, Medical and Pension Funds	114 707	-	18 780
	<b>1 085 009</b>	<b>302 801</b>	<b>314 013</b>

The position for Director Corporate Services was vacant since October 2010. Ms J.M. Rudman acted in the position from July 2012 till 30 October 2012 and May 2013 till June 2013 and Mr AK.J. Leseisane from November 2012 till May 2013. Acting allowance is included in above.

The position for Director Technical Services was vacant from 16 May 2013. Mr V.AK. Motlashuping acted in the position from 17 May 2013 till 30 June 2013. Acting allowance is included in above.

### 27. Remuneration of councillors

Mayor	399 626	393 149
Speaker	329 464	317 657
Executive Committee Members	1 000 522	958 822
Councillors	2 134 778	2 026 898
Councillors' pension and medical aid contributions	634 683	588 310
Councillors' allowances	1 937 920	1 734 915
	<b>6 436 993</b>	<b>6 019 751</b>

Remuneration of councillors includes the total earnings for the annum plus the company contributions for the 2014 financial year.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>28. Debt impairment</b>		
Contributions to debt impairment provision	77 682 859	89 561 798
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	31 629 659	30 327 471
Intangible assets	-	15 662
	<b>31 629 659</b>	<b>30 343 133</b>
<b>30. Finance costs</b>		
Trade and other payables	5 573 796	3 817 664
Discounting landfill site provision	3 594 898	1 885 278
Borrowings	5 462 679	2 875 615
Interest expense on long service awards and past medical benefits	1 832 281	-
	<b>16 463 654</b>	<b>8 578 557</b>
<b>31. Contracted services</b>		
IT Licenses	1 358 681	1 850 925
TMT	2 704 289	2 019 636
Other	1 202 604	1 030 035
	<b>5 265 574</b>	<b>4 900 596</b>
<b>32. Bulk purchases</b>		
Electricity	30 986 472	29 091 414
Water	33 183 979	33 067 764
	<b>64 170 451</b>	<b>62 159 178</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>33. Cash generated from operations</b>		
Surplus (deficit)	36 716 143	(20 524 253)
<b>Adjustments for:</b>		
Depreciation and amortisation	31 629 659	30 343 133
Loss on disposal of assets	-	835
Movement in employee benefit obligation	2 230 334	2 350 066
Movement in provisions	3 594 897	38 976 104
Prior period adjustments:	-	-
- Derecognition of intangible assets	44 131	-
- Correction of prior period error - Investment property	-	(32 587 374)
- Other prior period adjustments	(37 253 527)	74 051 624
<b>Changes in working capital:</b>		
Inventories	(50 057)	161 242
Trade and other receivables from exchange transactions	(4 968 107)	(1 746 759)
Trade and other receivables from non-exchange transactions	(5 980 805)	(3 958 064)
Trade and other payables from exchange transactions	24 919 059	5 007 116
VAT	(6 213 475)	(4 474 786)
Unspent conditional grants and receipts	2 936 097	(325 705)
Consumer deposits	83 744	182 147
	<b>47 688 093</b>	<b>87 455 327</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>34. Commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Approved and contracted for</b>		
Infrastructure	3 528 693	6 016 193
<b>This expenditure will be financed from</b>		
MIG	3 528 693	6 016 193
<b>Approved and not contracted for</b>		
Infrastructure	26 425 000	-
<b>This expenditure will be financed from</b>		
MIG	26 425 000	-
<b>Operating leases - Municipality as lessee</b>		
<b>Operating Leases : Office equipment</b>	<b>Minimum lease payments</b>	<b>Straight-lined value of minimum lease payments</b>
<b>30 June 2014</b>		
Within one year	124 964	125 851
Within two to five years	62 906	55 616
Less : Amount due for settlement within 12 months ( current portion)	(124 964)	(125 851)
	<b>62 906</b>	<b>55 616</b>
<b>30 June 2013</b>		
Within one year	982 904	980 272
Within two to five years	187 870	181 467
Less : Amount due for settlement within 12 months ( current portion)	(982 904)	(980 272)
	<b>187 870</b>	<b>181 467</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 34. Commitments (continued)

The average lease term was 3-5 years.

Interest rates are either fixed or variable at the contract date.

All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulations in the lease agreements.

The annual escalation rate varies between 10% to 15%.

The municipality's obligation under operating leases is secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayment of the operating leases.

All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.

There is no restriction imposed on the lease arrangements.

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>34. Commitments (continued)</b>		
<b>Operating leases - Municipality as lessor</b>		
<b>Operating leases : Land and buildings</b>	<b>Minimum lease receipts</b>	<b>Straight-lined value of minimum lease payments</b>
Amounts receivable under operating leases		
<b>30 June 2014</b>		
Within one year	259 376	249 163
Within two years to five years	309 684	276 847
Less : Amount due for receipt within 12 months (current portion)	(259 376)	(249 163)
	<b>309 684</b>	<b>276 847</b>
<b>30 June 2013</b>		
Within one year	343 172	340 596
Within two to five years	569 060	526 010
Less : Amount due to settlement within 12 months (current portion)	(343 172)	(340 596)
	<b>569 060</b>	<b>526 010</b>

The average lease term was 3-15 years and the average effective borrowing rate was 10%.

Interest rates are either fixed or variable at the contract date.

All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulations in the lease agreements.

The municipality monitors rental payments and institutes debt control where needed. No terms and conditions of the leases were re-negotiated.

All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.

### 35. Contingencies

#### Contingent liabilities

There is currently a lawsuit where 3 employees received employment letters however they never worked for the Municipality due to irregularities.

This case is currently being appealed in a court of law - estimated cost of R 1 329 831.

South African Revenue Services (SARS) conducted an investigation and determined that for the last five years no VAT amounts were declared on direct income. The amount is currently unknown.

Request for representation from legal counsel regarding litigation and claims:

- Janet Rudman vs Maquassi Hills Case JR 596 estimated cost of R 331 477.
- Maquassi Hills Local Municipality vs L Jonker the case is pending. The cost is currently unknown.
- Maquassi Hills Local Municipality vs M Ntsitsi the case is pending. The cost is currently unknown.
- Maquassi Hills Local Municipality vs M Mokhele the case is pending. The cost is currently unknown.
- Tikane vs Maquassi Hills Local Municipality the case is pending. The cost is currently unknown.
- C Mafulako and others vs Maquassi Hills Local Municipality the case is pending. The cost is currently unknown.



# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

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### 36. Related parties

#### Section 57 Managers

No remuneration was paid to family of Section 57 Managers,

#### Members of Council:

No remuneration was paid to family of members of council

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions.

#### District Municipality

Dr Kenneth Kaunda District Municipality

Members of the Audit Committee and the Internal Auditing Section of the Dr Kenneth Kaunda District Municipality of the Maquassi Hills render auditing assistance to the municipality at no cost. The District Municipality exercises no significant influence over Council in making financial and operating decisions.

### 37. Comparative figures

Where necessary, comparative figures have been restated for prior period error adjustments and /or reclassified to conform to changes in presentation in the current year.

### 38. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2014	2013
Payables from exchange transactions	105 256 777	81 033 815
Short term portion on long term liabilities	6 352 015	3 108 651
Bank overdraft	2 857 740	20 237 901
	<u>114 466 532</u>	<u>104 380 367</u>

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### 38. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Municipality if customers or counterparties to financial instruments fail to meet their contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, trade and other receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk:

Financial instrument	2014	2013
Cash and cash equivalents	16 891 150	9 639 248
Short term investment deposits	714 861	690 411
Trade and other receivables from exchange and non exchange transactions	29 550 991	19 167 869
	<b>47 157 002</b>	<b>29 497 528</b>

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Deposits attract interest at a rate that vary with prime. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates does not have a material impact on profit and loss.

### 39. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality and raise and collect revenue for services rendered.

### 40. Events after the reporting date

There are no material events after the reporting date.

### 41. Unauthorised expenditure

Opening balance	295 751 818	-
Current year unauthorised expenditure (Total)	14 358 018	295 751 818
<b>Total unauthorised expenditure</b>	<b>310 109 836</b>	<b>295 751 818</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>42. Fruitless and wasteful expenditure</b>		
Opening balance	15 276 434	15 276 434
Interest, penalties and late payments to creditors	5 583 666	-
Legal fees	1 265 400	-
Arbitration award	87 606	-
Insurance policy non compliance	35 838	-
Acting allowances	231 720	-
Employees not attending work	140 285	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>22 620 949</b>	<b>15 276 434</b>
<b>43. Irregular expenditure</b>		
Opening balance	5 667 124	5 667 124
Contracts awarded to suppliers in the service of the state	3 582 603	-
Bid documents not submitted	8 725 547	-
SCM and Tender process not followed	11 570 445	-
No declaration in the service of the state	492 244	-
<b>Irregular expenditure awaiting ratification and condonement</b>	<b>30 037 963</b>	<b>5 667 124</b>
<b>44. In-kind donations and assistance</b>		
In-kind donations and assistance:		
• Members of the Audit Committee and the Internal Auditing Section of the Dr Kenneth Kaunda District Municipality render auditing assistance to the municipality at no cost.		
• The firm TMDG, together with the firm IMQS were appointed by National Treasury during 2014 to perform the unbundling of the infrastructure assets and the implementation of GRAP 17 in totality. IMQS performed the conversion to the financial system.		
• The firm Ernst & Young was appointed in July 2014 to assist with the preparation of Annual Financial Statements by the North West Provincial Treasury at no cost to the Municipality.		
<b>45. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscriptions - SALGA	610 990	537 752
Amount paid - current year	-	(537 752)
<b>Accrual at year end</b>	<b>610 990</b>	<b>-</b>
<b>Audit fees</b>		
Opening balance	6 844	-
Current year audit fee ( excl VAT)	2 331 152	1 890 062
Amount paid - current year (excl VAT)	(552 520)	(1 883 218)
	<b>1 785 476</b>	<b>6 844</b>
<b>PAYE and UIF</b>		
Current year payroll deductions and council contribution	6 362 659	6 522 103
Amount paid - current year	(6 362 659)	(6 522 103)
	<b>-</b>	<b>-</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

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### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Current year payroll deductions and council contribution	10 631 464	15 256 614
Amount paid - current year	(10 631 464)	(15 256 614)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	<u>21 207 859</u>	<u>14 994 384</u>
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Municipality is on the Payment basis for VAT and submit monthly returns.

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total balance outstanding R
G V Kgabi	6 210	3 149	9 359
N L Tshingilane	485	2 317	2 802
K G Mojela	1 390	7 936	9 326
D K Mohadi	509	4 367	4 876
B J Mahumapelo	705	22 136	22 841
N W Ntiane	738	-	738
M D Seretsi	2 403	43 629	46 032
K Kgaodi	806	21 068	21 874
M E Motaung	519	5 553	6 072
M S Sejeso	864	8 606	9 470
K S Seakane	1 417	66 346	67 763
	<u>16 046</u>	<u>185 107</u>	<u>201 153</u>

#### 30 June 2013

	Total balance outstanding
K S Seakane	42 850
M S Sejeso	16 384
N W Ntiane	1 930
B J Mahumapelo	28 629
M D Seretsi	34 754
K Kgaodi	23 844
D K Mohadi	8 280
M E Motaung	7 065
K G Mojela	4 012
G P Motswagole	12 340
	<u>180 088</u>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Deviation from supply chain management regulations

Paragraph 12(1) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council.

The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

The deviations amounting to R 1 400 440 had not yet been reported to Council at financial year end.

From a total expenditure of R291 483 114 , deviations were R1 879 262.75 being 0.64% of the total expenditure.

### 46. Distribution losses

#### Electricity losses

Electricity units (kWh) purchased from Eskom	46 064 513	45 597 050
Electricity units (kWh) sold to consumers	(43 909 703)	(41 318 840)
	<u>2 154 810</u>	<u>4 278 210</u>

Electricity losses for the financial year is 4.68% (2013:9.38%). The Rand value of the electricity losses for the current financial year is R1 620 407 (2013: R 1 891 956)

These losses are attributable to electricity line losses within the electricity network infrastructure.

#### Water losses

Water (KL) purchased	5 335 842	4 622 546
Water (KL) sold to consumers	(3 207 384)	(3 548 372)
	<u>2 128 458</u>	<u>1 074 174</u>

Water losses for the financial year is 40% (2013:23%). The Rand value of water losses for the current financial year is R15 942 150 ( 2013: R 7 411 801).

The selling price rate per kilolitre for the current financial year is R7.49 (2013:R6.90).

### 47. Auditors' remuneration

Fees	<u>2 331 152</u>	<u>1 890 278</u>
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# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>48. Prior period errors</b>		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
<b>Cash and cash equivalents</b>		
Balance previously reported		9 637 796
Increase bank charges 2012/2013 on ABSA account		(775)
Increase interest income 2012/2013 on ABSA account		443
Increase interest income 2012/2013 on ABSA account		16 148
Increase interest income 2012/2013 on ABSA account		231
Decrease in interest income 2011/2012 on ABSA account		(14 595)
<b>Restated balance</b>		<b>9 639 248</b>
In prior year the bank statements were never reconciled to the general ledger. In 2013/2014 these differences were noted and adjusting journals were posted to correct the errors. The errors affect interest income in 2011/2012 as well as interest income and bank charges in the 2012/2013 financial year.		
<b>Trade and other receivables from non-exchange transactions</b>		
Balance previously reported		20 176 876
Decrease in MIG debtor		(11 199 100)
Increase in operating lease income		20 603
Decrease in operating income		(828)
<b>Restated balance</b>		<b>8 997 551</b>
A MIG debtor was incorrectly raised in the 2012/2013 financial year. This debtor was reversed in the 2013/2014 financial year to the amount of R11 199 100.		
In 2013/2014 not all lease contracts were accounted.		
<b>VAT receivables</b>		
Balance previously reported		14 605 894
Decrease in expenditure and accruals 2011/2012		(52 706)
Increase in expenditure and accruals 2012/2013		441 196
<b>Restated balance</b>		<b>14 994 384</b>
The increase in VAT receivables arose when accruals had to be raised under trade and other payables as a result of payments being made in the 2013/2014 financial year, however, the services were rendered or goods were received in the prior periods. These expenses were never accounted for in the prior periods, therefore a expenditure as well as accruals were also restated due to the effect of understatement in prior periods.		
<b>Trade and other payables from exchange transactions</b>		
Balance previously reported		79 105 423
Increase in general expenses in 2011/2012		900
Decrease in general expenses in 2011/2012		(376 898)
Increase in repairs and maintenance in 2011/2012		427
Increase in repairs and maintenance in 2012/2013		37 578
Increase in bulk purchases in 2012/2013		134 429
Increase in general expenses in 2012/2013		705 859
Increase in employee related costs in 2012/2013		713
Increase in contracted services in 2012/2013		3 654
Increase in VAT receivables		441 195
Decrease in VAT receivables		(52 706)
Increase in operating expense		37 189
Decrease in operating expense		(28 153)

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>48. Prior period errors (continued)</b>		
Increase in provision for performance bonus 2011/2012		392 065
Decrease in provision for performance bonus in 2012/2013		(282 240)
Increase in provision for annual bonus in 2011/2012		862 547
Increase in provision for annual bonus in 2012/2013		51 833
<b>Restated balance</b>		<b>81 033 815</b>

In the current year, payments were made which related to expenditures in the prior periods. However, these expenditures were never included in the prior periods as accruals. Trade and other payables increased with these errors.

In 2013/2014, it was noted that not neither a provision for annual bonus nor a provision for performance bonus was raised in prior years. Only actual expenditure was accounted for. In 2013/2014, provisions were restated with opening balance in 2011/2012 as well as 2012/2013 with adjusting the current provisions as well as the contributions to provisions in the income statement.

### Current provisions

Balance previously reported	21 617 528
Increase in provision for landfill site in 2012/2013	37 090 826
<b>Restated balance</b>	<b>58 708 354</b>

In 2013/2014, it was noted that the valuation performed on the provision for landfill sites for 2012/2013 has changed due to a change in circumstances during the prior year.

### Current portion of unspent conditional grants and receipts

Balance previously reported	6 276 980
Decrease in MIG debtor	(11 199 100)
Decrease in MIG grant (transfer revenue)	5 896 641
<b>Restated balance</b>	<b>974 521</b>

A MIG debtor was incorrectly raised in the 2012/2013 financial year. This debtor was reversed in the 2013/2014 financial year to the amount of R11 199 100.

### Borrowings

Balance previously reported	50 193 735
Increase in interest expense in 2012/2013	221 296
<b>Restated balance</b>	<b>50 415 031</b>

Interest on the DBSA loans were never accrued for in the prior year. The error was corrected by accounting for interest expense in 2012/2013 to correct the opening balance of the DBSA loans.

### Property, Plant and Equipment - at cost

Balance previously reported	683 408 598
Correction of prior period error	432 248 934
<b>Restated balance</b>	<b>1 115 657 532</b>

### Property, Plant and Equipment - accumulated depreciation

Balance previously reported	(153 444 656)
Correction of prior period error	(301 611 807)
<b>Restated balance</b>	<b>(455 056 463)</b>

# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 48. Prior period errors (continued)

The property, plant and equipment prior year balance was restated due to unbundling which was conducted during the year. The deemed costs were adopted for infrastructure. The unbundling was conducted on all the infrastructure assets, roads and stormwater network, electricity network, sanitation, water networks and land and buildings. The cumulative effects of these changes are outlined as above. A professional valuer was engaged to determine the deemed costs of the properties.

The carrying amount of other property, plant and equipment was restated as a result of the use of fair values on items where actual invoices could not be obtained. The current quoted price is used after discounting the inflation rates applicable in the market.

#### Investment property

Correction of prior period error	32 587 374
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The prior year figure has been restated due to land which belongs to the municipality which was not previously recognised. The investment property was valued by a professional valuers as at 30 June 2014. Property discount indices were used to derive the restated balance as at 30 June 2013.

### Statement of Financial Performance

#### Interest revenue

Balance previously disclosed	18 792 337
Adjustments	16 822

<b>Restated balance</b>	<b>18 809 159</b>
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Refer to statement of financial position above for explanation on prior period error corrections.

#### Rental of facilities and equipment

Balance previously disclosed	224 363
Adjustments	(828)

<b>Restated balance</b>	<b>223 535</b>
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Refer to statement of financial position above for explanation on prior period error corrections.

#### General expenses

Balance previously disclosed	37 819 457
Increase in general expenses	30 230 219

<b>Restated balance</b>	<b>68 049 676</b>
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Refer to statement of financial position above for explanation on prior period error corrections

#### Repairs and maintenance

Balance previously disclosed	2 664 326
Increase in repairs and maintenance in 2012/2013	37 578

<b>Restated balance</b>	<b>2 701 904</b>
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Refer to statement of financial position above for explanation on prior period error correction

#### Bulk purchases

Balance previously disclosed	62 024 749
Increase in bulk purchases in 2012/2013	134 429

<b>Restated balance</b>	<b>62 159 178</b>
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# Maquassi Hills Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>48. Prior period errors (continued)</b>		
Refer to statement of financial position above for explanation on prior period error corrections		
<b>Employee related costs</b>		
Balance previously disclosed		50 550 691
Increase in employee related costs in 2012/2013		713
<b>Restated balance</b>		<b>50 551 404</b>
Refer to statement of financial position above for explanation on prior period error corrections.		
<b>Contracted services</b>		
Balance previously disclosed		4 896 942
Increase in contracted services in 2012/2013		3 654
<b>Restated balance</b>		<b>4 900 596</b>
Refer to statement of financial position above for explanation on prior period error corrections		
<b>MIG grant (transfer revenue)</b>		
Balance previously disclosed		139 701 404
Decrease in MIG grant		(5 896 641)
<b>Restated balance</b>		<b>133 804 763</b>
Refer to statement of financial position above for explanation on prior period error corrections		
<b>Licences &amp; permits</b>		
Balance previously disclosed		10 411 395
Adjustment		(7 308 681)
<b>Restated balance</b>		<b>3 102 714</b>
The municipality incorrectly accounted for licences and permits in the statement of financial performance. Only the commission should only have been recognised.		
<b>Finance costs</b>		
Balance previously reported		8 357 260
Increase in interest expense in 2012/2013		221 296
<b>Restated balance</b>		<b>8 578 556</b>
Refer to statement of financial position above for explanation on prior period error corrections		
<b>Depreciation and amortisation</b>		
Balance previously reported		25 935 541
Correction to prior period error		4 407 592
<b>Restated balance</b>		<b>30 343 133</b>
Refer to statement of financial position above for explanation on prior period error corrections.		
<b>Accumulated surplus</b>		
Impact of prior period adjustments on accumulated surplus		(132 078 509)